

**TWIA FUNDING PROPOSAL  
SUMMARY  
JUNE 2020**

**Goal**—Pre-fund TWIA with surplus or CRTF with \$1 billion and maintain additional funding sources of assessments and reinsurance instead of funding by TWIA with bonds.

- TWIA could be prefunded with a statewide CRTF fee or surcharge collected by property insurers until the CRTF reaches its set goal.

**Goal**-eliminate Class 1-3 bond debt structure for TWIA funding.

**Goal**-explore options for immediate pre-funding for TWIA through either Rainy Day Fund line of credit, or loan, or private lines of credit of funds to be repaid by CRTF fees or surcharges to allow TWIA to have \$1 Billion available for catastrophic events.

**Goal**-maintain current member assessment at \$1 Billion and reinsurance levels to have aggregate funding for 1:100 year event.

**Implementation Items for CRTF Fee or Surcharges**

- Disclosure. The fee or surcharge must be disclosed on Declarations page of each policy.
- Types of policies would be subject to the fee surcharge:
  - Residential Property Insurance—homeowners, residential fire and allied lines policies, farm and ranch, or farm and ranch owners insurance policies.
  - Commercial Property Insurance-commercial fire and allied lines, commercial multi-peril (property).
- Insurers required to collect the surcharge: Stock, mutual, reciprocal, Lloyds, county mutual, farm mutual, and surplus lines insurers writing any of the types of policies described above. Farm mutuals and all surplus lines insurers would only be required to collect surcharges and would not be members of TWIA. TWIA and Fair Plan would collect surcharges.
- Tax Treatment. Fee or surcharge is not subject to premium or maintenance taxes or surplus lines taxes.
- Commissions. No commissions paid on surcharges.
- Refund. Fee or surcharge is not refundable.
- Determination of Fee or Surcharge. TDI will annually determine amount needed for pre-event surplus. TDI will determine amount of fee or surcharge.
- Payment and Collection of Surcharges. Comptroller, along with TDI, will collect surcharges on a semi-annual basis similar to auto burglary and theft fee.
- Management of CRTF. The Texas Safekeeping Trust and TWIA board can recommend investments for CRTF to protect the fund and produce investment income.
- Eliminate All Bond Classes for repayment of TWIA Losses. TWIA is unlikely to be able to sustain its current and possible future debt load as a going concern and still respond to catastrophic events. Instead, the use of surcharges to pre-fund or capitalize TWIA as reflected above becomes a pre-loss and post-loss funding mechanism for TWIA.